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SIPDIS

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SUBJECT: COASTAL POLITICS DRIFTING IN TIDE OF UNCERTAINTY

1. (SBU) SUMMARY: Politicians - past, present and aspiring - in Guayaquil are searching to make sense of the country's current political situation. In a series of meetings with representatives from the major coastal parties, PolOffs took stock of the view from down south. It may be that this city is well-represented in President Palacio's administration; but across the political spectrum the prevailing sentiment is one of frustration with the government's inability to effectively implement much needed reforms. While some look with cautious optimism to the 2006 presidential elections as a way out of the current loss of faith in the political system, most begrudgingly acknowledge that it is too soon to say with confidence that change is on the horizon. The result is a guarded political climate filled with short-term speculation and constant jockeying for position. End summary.

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SHIFTING PARTY ALLEGIANCES  
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2. (SBU) All with whom we spoke agreed that Palacio lost most of his valuable political capital when he failed to take assertive action within his first few weeks in office. The resulting tenuous hold on power, compounded by a lack of any clear majority in Congress, left the political elite casting about for ways to garner support, even in unlikely places. The parties have discarded any semblance of a political platform or ideology in favor of securing interim benefits, according to a close associate of Guayaquil Mayor Jaime Nebot (PSC), Jose Joaquin Franco.

3. (SBU) According to Fuerza Ciudadana founder and former provincial candidate Humberto Mata, the most unholy of current alliances is between PSC guru Leon Febres Cordero (LFC) and the ID's Rodrigo Borja. Arch-enemies just 20 years ago, Mata believes that these two political patriarchs are considering joining forces in the 2006 national elections. Their aim is to bring about the presidential win neither party has been able to pull off since either man held the presidential sash. Mata speculated that even if the leaders were able to join forces, any agreement would be strongly resisted by the rank and file. Any such electoral alliance would by necessity involve second-tier party leaders, rather than the strongest candidates, Guayaquil Mayor Nebot (PSC) and Quito Mayor Paco Moncayo (ID).

4. (SBU) Former Foreign Minister under president Noboa and one-time PSC affiliate Heinz Moeller also acknowledged the possibility of an ID-PSC alliance, but said its likelihood was diminishing since the ID openly supported President Palacio's reform agenda. (Note: The PSC, in contrast, distanced itself publicly from the Palacio government.)

5. (SBU) There are disconcerting signs that the PSC, the coastal region's traditional anchor, is also adrift. Beyond the notorious breach between LFC and Nebot, there continue to be signs that LFC's authoritarian style and heavy hand are becoming more of a liability. Long-time supporters and party members Franco and Moeller (who had always told us he had left the PSC, now describes himself as the third pillar of the party, after LFC and Nebot) spoke at length about internal disagreements over LFC's recent banking reform law. Franco claimed to have personally spoken with PSC congress members who stated they would never vote for this law. Nonetheless, he went on to say, none of them "has the spine" to stand up to LFC, and so rather than vote against the law, they will refuse to vote, leaving it to their "suplentes" (alternates) to cast the yea ballot.

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REFORM: ENDS JUSTIFY THE MEANS  
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6. (SBU) As the country's 'consulta popular' snakes its way through the administrative process, the promise of reform is on the lips of all coastal political wranglers. However, in addition to criticizing Palacio for not calling early elections and for making ambiguous statements about the need to 're-found' the country, those we spoke to also expressed their dissatisfaction with what they perceive as the president's indecision on the reform front. Unsurprisingly, they were not in agreement as to what type of reform was

required or how they should be implemented.

17. (SBU) Echoing sentiments we have heard often before, several politicians we spoke with commented that if an authoritarian approach is what is needed to get the country back on track, then so be it. These views are often heard from Guayaquilenos frustrated by the inability of any elected government to stay in office long enough to reform the country. To enhance political stability, Moeller said he supported introducing legislation to allow each president to dissolve Congress for six months and rule by executive decree once during their tenure. Mata lamented that Palacio didn't convoke early elections after taking office. In contrast, PRIAN congressional bench leader Sylka Sanchez told PolChief that Alvaro Noboa wants the size of Congress to be reduced overall, but will not favor measures to bolster the majority. All agree that the Ecuadorian people are fed up with the antics of traditional political parties.

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PRESIDENTIAL HOPES  
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18. (SBU) Coastal political leaders are also calculating the pros and cons of strategic alliances to generate momentum for next year's presidential elections, and to prevent the possibility of outsiders being able to make it to the second round of elections, as did ex-president Gutierrez in 2002.

19. (SBU) Though Guayaquileo Leon Roldos currently leads some presidential polls, he has yet to emerge as a clear front-runner. Roldos' ally Mata noted that Roldos' lack of a political party structure may impede his ability to navigate Ecuador's electoral system, and criticized Roldos' lack of interest in building a party with long-term prospects. Mata was also critical of Roldos' overconfidence in his status at the head of the polls, which has prompted him to adopt a relatively conservative public strategy to date. Alvaro Noboa, in contrast, can rely heavily on his millions and on the PRIAN political structure he has painstakingly built over the past decade. For the moment old-school political parties like the PSC and PRE are groping for electable candidates, according to Mata. They are feeling the effects of years of domination by party patriarchs like LFC and former president Bucaram, whose popular appeal has been waning and whose dictatorial policies within the party have hindered the emergence of new party leaders.

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OUTSIDERS AND STRANGE BREWS  
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110. (SBU) The potential for another outsider candidate with national appeal was also on everyone's mind. While skeptical of a repeat of Lucio Gutierrez' surprise appeal in 2002, few were quick to dismiss the potential appeal of former Economy Minister Rafael Correa. The exception was Nicolas Febres Cordero, LFC's brother, who told PolChief that if Correa were to make the second round of presidential voting, the PSC "would crush that upstart, even if it means supporting Noboa."

111. (SBU) PRIAN party organizer Dino Herrera - who first met Correa when they were Boy Scouts at Guayaquil's prestigious Cristobal Colon High School - told PolOff that Correa's biggest strength is that he fills the "none of the above" option. Public disillusionment with traditional political parties and institutions means that a charismatic alternative like Correa may be very appealing to voters. At present Correa does not have the ratings he did as minister because he is no longer in the media spotlight every day. Herrera believes that it would not take long to reverse that trend when people begin to review the field of candidates and look to a new face, a new savior for the country. Correa, a former finance minister who "dared stand up to the gringos" may just fit the bill.

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COMMENT  
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112. (SBU) Speculation about Palacio's likely future, the possibility of reform, and the slate of presidential candidates fuels the political chatter in Guayaquil these days. No coastal-based party seeks to throw Palacio out of office, but neither are they rushing to prop him up.

HERBERT